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SUBJECT: KAZAKHSTAN: SCENESETTER FOR FOREIGN MINISTER
TAZHIN'S MAY 4-5 VISIT TO WASHINGTON

Classified By: Ambassador Richard E. Hoagland: Reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: Kazakhstani Foreign Minister Marat Tazhin's May 4-5 visit to Washington is the Obama Administration's first opportunity for face-to-face engagement with the leadership of our most important partner in Central Asia. We have a robust bilateral relationship with Kazakhstan, with close cooperation on such critical issues as Afghan reconstruction, nuclear non-proliferation, and developing Kazakhstan's vast energy resources to support global energy security. With its upcoming 2010 OSCE chairmanship, Kazakhstan is poised for its most important international leadership role to date -- and Tazhin's visit will be a chance to discuss Kazakhstan's priorities for its chairmanship year. We should also ask Tazhin about additional ways Kazakhstan can assist Afghanistan; stress the need for further democratic reforms; and reiterate our commitment to Kazakhstan's WTO accession. END SUMMARY.

RAISING BILATERAL RELATIONS TO A NEW LEVEL

¶2. (C) Foreign Minister Tazhin's May 4-5 visit to Washington comes at a time when the Kazakhstani leadership sees the new Obama administration as an opportunity to enhance our already good bilateral relations. President Nazarbayev welcomed then President-elect Obama's early phone call last November, and recently invited him to visit Astana -- an invitation passed directly to President Obama by Senate Chairman Kasym-Zhomart Tokayev at an Alliance of Civilizations reception in Istanbul on April 7. Nazarbayev has told us he would also welcome visits from the Secretary and other senior Administration officials, including Secretary of Defense Gates. Tazhin is likely to emphasize Kazakhstan's strong desire for regular high-level visits both ways. He will almost certainly be prepared to consult on Kazakhstan's agenda for its 2010 OSCE chairmanship, and is also likely to raise Kazakhstan's perennial desire to be graduated from the Jackson-Vanik Amendment and to be exempt from annual human-rights certification, both of which the government views as "incompatible" with a mature relationship between strategic partners.

13. (C) President Nazarbayev carefully balances Kazakhstan's relations with Russia, China, the United States, and the EU -- what he terms a "multi-vector" foreign policy. The Kazakhstanis consider Russia their most important international partner, and Russian's influence is unparalleled in Kazakhstan due to long historical ties, Kazakhstan's large ethnic Russian population, and the predominance here of the Russian language -- which means most Kazakhstanis obtain their news from Russia's broadcast and print media. Kazakhstan's close relationship with the United States serves as an essential counterweight -- reinforcing the country's sovereignty and independence and helping it stave off pressure from both its giant neighbors, i.e., China as well as Russia. For the Kazakhstanis, high-level interactions with the United States, such as Tazhin's visit, are thus not only important for their substance, but also for their symbolism -- sending a signal to Moscow that we remain closely engaged with them, despite Moscow's assertion of a "privileged sphere of influence."

AFGHANISTAN: POISED TO DO EVEN MORE

14. (C) Kazakhstan has provided critical support for Coalition efforts in Afghanistan -- and is looking for ways to do even more. Bilateral agreements from 2001 and 2002 allow U.S. military aircraft supporting Operation Enduring Freedom to transit Kazakhstani air space cost-free and to make emergency landings in Kazakhstan when conditions do not permit landing at Kyrgyzstan's Manas Air Base. In January, Kazakhstan agreed to participate in the Northern Distribution Network --

which entails commercial shipment through Kazakhstani territory of non-lethal supplies for U.S. troops in Afghanistan. Kazakhstan is considering sending several officers to ISAF headquarters and deploying a military medical unit to Afghanistan. As a later step, the Kazakhstanis may also consider deploying a military engineering unit to teach at the military engineering school at Mazar-i-Sharif or to assist in unexploded ordnance disposal, a mission they carried out in Iraq for over five years. The Kazakhstani government provided Afghanistan \$3 million in humanitarian assistance in 2008 and is developing a program to provide Afghan students with free university education in Kazakhstan. The Kazakhstanis also hope to make Afghanistan a focus of their 2010 OSCE chairmanship.

DEMOCRACY: SLOW GOING

15. (C) While the Kazakhstani government articulates a strategic vision of democracy, it has lagged on the implementation front. The leadership remains resistant to competitive political processes -- and the situation is complicated by the fact that Nazarbayev is extraordinarily popular (with a 90 percent approval rating in our own polling), while the opposition is weak, fractured, and comprised mostly of ex-Nazarbayev loyalists who fell out of favor. Nazarbayev's Nur Otan party officially received 88% of the vote and won all the parliamentary seats in the August 2007 elections, which OSCE observers concluded did not meet OSCE standards. The next elections, both parliamentary and presidential, are scheduled for 2012. Should Nazarbayev run again -- and at this juncture it appears likely he will -- he would almost certainly win, even with fully free and fair balloting. (NOTE: Nazarbayev is not yet grooming a successor. END NOTE.)

16. (C) On a positive note, Nazarbayev has taken steps that could facilitate a transition to a more democratic system over the long run. His Bolashak program provides scholarships for several thousand Kazakhstanis to receive higher education abroad, mostly in the West, where they absorb Western ideas and values. He has also brought into government a new generation of young, ambitious bureaucrats -- many of whom studied in the West through Bolashak or our own programs.

17. (C) When Kazakhstan was selected to be 2010 OSCE chairman

at the November 2007 Madrid OSCE Ministerial meeting, Foreign Minister Tazhin promised his government would amend Kazakhstan's election, political party, and media laws in accordance with OSCE and ODIHR recommendations. (NOTE: Tazhin also promised that as OSCE chairman, Kazakhstan would support the OSCE's Human Dimension and preserve ODIHR's mandate. END NOTE.) The amendments were finally signed into law in February. While key civil society leaders were disappointed that the new legislation did not go further, we consider them to be steps in the right direction, and will continue pressing for further reforms, including complete decriminalization of libel and the establishment of fully independent electoral commissions with representatives from all political parties. While Kazakhstan prides itself on its religious tolerance, parliament passed legislation in late 2008 which would have restricted the religious freedom of minority religious groups. Rather than signing the legislation, President Nazarbayev sent it for review to the Constitutional Council (Court) -- which ultimately declared it to be unconstitutional.

ENERGY: DIVERSIFYING TRANSPORT ROUTES

18. (C) U.S. and Kazakhstani strategic interests are largely aligned on the development of Kazakhstan's vast energy resources. Both sides agree that U.S. and other Western

companies must continue playing a lead role in Kazakhstan's energy exploration and production projects and that diversifying transport routes will bolster Kazakhstan's sovereignty and enable it to capture the maximum benefits of its energy wealth. Kazakhstan produced 70.7 million tons of oil in 2008 (approximately 1.41 million barrels per day), and is expected to become one of the world's top ten crude exporters soon after 2015. While the country also has significant gas reserves (1.5 trillion cubic meters is a low-end estimate), current gas exports are very limited for now, in part because gas is being reinjected to maximize crude output. U.S. companies -- ExxonMobil, Chevron, and ConocoPhillips -- have significant ownership stakes in Kazakhstan's three major hydrocarbon projects, including Kashagan, the world's largest oil field discovery since Alaska's North Slope.

19. (C) With major crude production increases on the horizon, Kazakhstan must develop additional transport routes to bring its crude to market. Currently, most of Kazakhstan's crude is exported via Russia, though some exports flow east to China, west across the Caspian through Azerbaijan, and south across the Caspian to Iran. We are focused on helping the Kazakhstanis implement the Kazakhstan-Caspian Transportation System (KCTS), which envisions a "virtual pipeline" of tankers transporting large volumes of crude from Kazakhstan's Caspian coast to Baku, from where it will flow onward to market through Georgia, including through the Baku-Tbilisi-Ceyhan (BTC) pipeline. While a trans-Caspian crude pipeline would be a cheaper long-term transport option, the Kazakhstanis maintain that an agreement on Caspian delimitation among the five Caspian littoral states is a prerequisite -- politically, if not legally -- for moving forward on such a pipeline's construction.

ECONOMY: AGGRESSIVE STEPS TO TACKLE ECONOMIC CRISIS

10. (C) Kazakhstan is Central Asia's economic powerhouse, with a GDP larger than that of the region's other four countries combined. Economic growth averaged over 9% per year during 2005-07, before dropping to 3% in 2008 with the onset of the global financial crisis. While the country's economic success is partly due to its fortuitous natural resource deposits, astute macroeconomic policies and extensive economic reforms have also played an important role. Kazakhstan has a modern banking and financial system, a well-endowed pension fund, and a transparent sovereign wealth fund with \$22 billion in assets. The government has taken aggressive steps to tackle the domestic reverberations of the world economic crisis, allocating \$21 billion to take equity stakes in private banks, prop up the construction and

real-estate sectors, and support small- and medium-sized enterprises and agriculture.

¶11. (C) Kazakhstan's long-run economic challenge is to diversify its economy away from reliance on the energy sector. In 2008, we launched a bilateral Public-Private Economic Partnership Initiative (PPEPI), which is bringing together the U.S. and Kazakhstani public and private sectors to make policy recommendations on improving the country's business climate and reducing other barriers to non-energy investments. Kazakhstan is currently negotiating WTO accession agreements with the United States, several other countries, and the EU. The Kazakhstanis maintain that we are demanding greater concessions from them than we have requested from other WTO candidates, including Russia. Some in the Kazakhstani government would prefer to first finalize a Russia-Belarus-Kazakhstan Customs Union and deal with the WTO later -- though this might give Russia significant leverage over Kazakhstan's WTO accession. A high-level message from us that we remain committed to Kazakhstan's WTO membership (and actions to back up our rhetoric) would help

the Kazakhstanis keep their focus on WTO accession.

NON-PROLIFERATION: A HALLMARK OF BILATERAL COOPERATION

¶12. (S) Non-proliferation cooperation has been a hallmark of our bilateral relationship since Kazakhstan became independent and agreed to give up the nuclear arsenal it inherited from the USSR. The Nunn-Lugar Cooperative Threat Reduction (CTR) program remains the dominant component of our assistance to Kazakhstan. Key ongoing CTR activities include our efforts to secure the radiological material at the former Soviet nuclear test site near Semipalatinsk and to decommission and store the spent fuel from Kazakhstan's plutonium breeder reactor. We are pressing the Kazakhstanis to allow us to speed up work at Semipalatinsk -- consistent with President Obama's effort, announced in Prague, to secure all vulnerable nuclear materials worldwide by the end of his first term. The Kazakhstanis are seeking additional ways to burnish their non-proliferation credentials. On April 6, President Nazarbayev announced publicly that Kazakhstan is interested in hosting the Nuclear Threat Initiative's IAEA-administered international nuclear fuel bank -- an offer we welcomed. The Kazakhstanis are also considering running this year for a seat on the IAEA Board of Governors (a position we initially pressed them to take in 2008), and continue to press us to support their joining the Missile Technology Control Regime (MTCR).

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